Hallam, John.

A BRIEF STATEMENT

OF

MUNICIPAL TAX EXEMPTIONS

IN TORONTO,

FROM 1869 TO 1890.

With an Open Letter on the Assessment of Personal Property to the Hon. Oliver Mowat.

BY

JOHN HALLAM.

"*Never tax anything*
That would be of value to your state, and
That could and would run away, or
That could and would come to you."

TORONTO:
PRINTED BY IMRIE & GRAHAM, 28 COLBORNE STREET.

1890.

8 p.

TAX EXEMPTIONS.

The Lieutenant-Governor proclaimed in his speech that the Ontario Government intended to deal with the Assessment Law, and the vexed question of Tax Exemptions, during the present Session. This has excited renewed interest in the question.

Numerous correspondents have written to me for information regarding the nature and extent of exemptions from Municipal Taxation in Toronto. The first return of Statutory Exemptions was made to the Council in 1869, amounting to $3,885,950, and the agitation to do away with Tax Exemptions began in 1871. In 1873, the first Assessment Committee met in the City Hall, and dealt at length with Tax Exemptions, but recommended nothing practical, beyond reporting that the Assessment of personal property is beset with difficulties, which are necessarily increased by the inquisitorial efforts that have to be resorted to when information is not frankly afforded.

By order of the City Council of 1874, Mr. S. G. Ridout, then acting Assessment Commissioner, made a return of all property exempted from municipal taxation, which was $8,683,259.

In 1876, the Committee of the City Council on Exemptions from Taxation dealt with all the facts and figures, and drew particular attention to the vast amount of real estate, consisting of lawns, paddocks and gardens; and the value as returned by the assessors in 1874 was $1,158,549, and only taxed as if valued at $516,401. The Committee have every reason to believe that this valuation is merely nominal, and would urge that every foot of land be uniformly assessed, and taxed accordingly.

This report was laid before the Honorable Oliver Mowat, Attorney-General of Ontario.

In 1877, Commissioner Maughan made a return of all property of whatsoever nature exempt from taxation in the assessment of 1877, which amounts to the enormous sum of $12,779,608. The Assessors were instructed for the first time to make a full return of all the lawns and gardens exempted; and there were 567 lawns and gardens, valued at $912,092 not paying one cent of taxes.

The Ontario Government collected a vast amount of information on "Tax Exemptions," which will be found in the report of the Select Committee on "Exemptions from Taxation," Appendix 4, in the *Journals of the House* for 1878, but refrained from making any recommendation. The practical result was that in 1871 exemptions on official incomes of the Ontario Government were abolished, and the exemptions on lawns and pad-

docks were abolished in 1888, and the assessment of churches for local improvements by petition, one-half in value, and two-thirds in number. It will be seen at once that the reformation of the evils complained of has been very slow.

In 1884 the "Anti-Exemption Association" of Toronto was formed. The objects of this Association were to secure the abolition of all tax exemptions. They printed a Constitution, and issued an address to the citizens, covering all the ground of tax exemptions. In the address is the following paragraph :—

"The Association entertains the opinion that the Legislature, in refusing to permit the municipal authorities to deal with the questions involved, are violating the spirit of our Constitution, which contemplated a Dominion exclusively to attend to Dominion affairs, a Provincial for Provincial affairs and a Municipal for Municipal affairs."

In 1887 the Ontario Government appointed a Commission on Municipal Institutions. This Commission collected a vast amount of valuable information on this subject and the various systems of taxation adopted by different countries, which is embodied in two reports; but refrained from making any recommendation. The evidence goes to show that the taxation of personal property and income is attended with many difficulties, and wherever tried is a failure.

The following are the returns of real, personal property, income and exemptions for the last ten years. Taken from the Assessment Rolls of the City of Toronto.

YEAR.	REAL PROPERTY.	INCOME.	PERSONAL PROPERTY.	EXEMPTIONS.
1881	$ 44,622,578	$3,329,725	$6,207,300	$ 9,418,158
1882	46,264,624	2,534,347	6,487,068	9,465,300
1883	49,007,630	3,639,033	6,914,480	9,711,044
1884	54,156,102	4,076,315	7,452,980	10,139,124
1885	57,546,816	4,105,412	7,572,886	10,787,540
1886	60,695,505	4,338,025	7,682,003	11,040,858
1887	69,442,018	5,265,585	8,849,208	11,986,353
1888	84,256,933	4,906,097	9,132,821	13,755,043
1889	99,276,057	4,832,733	8,954,285	15,877,504
1890	122,651,244	5,108,546	9,470,988	18,922,458

The following is a Comparative Statement of Real Estate, held by different denominations, exempt from Municipal Taxation.

Church of England	$ 996,000
Methodists	838,000
Roman Catholics, including $60,000 Separate Schools	1,219,000
Baptists	230,000
Congregationalists	152,000
Presbyterians	703,000
	$4,138,000

The property held by the following parties, entirely exempt from municipal taxation.

1889.

Dominion Government	$1,834,000
Ontario Government	3,125,000
City Property	2,302,000
Universities and Colleges	2,593,000
Charitable Institutions	440,000
Public Schools	716,000
	$11,010,000

CLERICAL EXEMPTIONS.

There are 116 clerymen belonging to the different denominations, that are exempt on $1,000 on their salaries, and $2,000 on their residences.

30	Episcopal Clergymen	receiving	salaries	from	$1,000	to $5,000
32	Methodist Ministers	"	"	"	1,000	" 2,500
13	Baptist "	"	"	"	850	" 3,600
7	Congregational "	"	"	"	1,000	" 5,000
1	Unitarian "	"	"	at	1,500	
23	Presbyterian "	"	"	from	1,000	" 5,000
1	Roman Catholic Priest	"	"	at	2,000	

Each of the above gentlemen enjoy tax exemptions on $3,000, amounting to $348,000. At 15 mills on the dollar would be $5,220. The tax payer has to pay just $45 for the privilege of these clergymen teaching us. "Therefore all things whatsoever ye would that men should do unto you even so do unto them."

JUDGES AND DOMINION OFFICIALS.

We now come to a different class of Exemptions, wholly under the control of the Dominion Government in Toronto. They are as follows :—

Inland Revenue	13	Officials	Salary	$18,090
Customs House	12	"	"	18,500
Post Office	27	"	"	37,050
Department of Agriculture	1	"	"	1,650
Judges	18	"	"	72,132
				$147,422

All the above are exempt from municipal taxation, receive good salaries and enjoy all the privileges of municipal expenditure. There is no reason on earth why they should not pay taxes on their income. In a free State like Canada there should be no privileged classes.

GRANT FOR CONTRIBUTIONS IN LIEU OF RATES FOR GOVERNMENT PROPERTY IN THE UNITED KINGDOM.

With small exceptions the exemption from assessment of property occupied by the Crown was maintained up to 1860. In that year as stated above, a Parliamentary Grant of £35,000 was taken to meet the cases of a certain number of parishes most aggrieved by the exemption. This grant in 1878 had been raised to £234,000, (for the years 1886 and 1887, it

amounted to £4,302,766), the Government having determined that all Government non-ratable property shall contribute to the Local Rates. This concession was made concurrently with the change in law recently effected by which various classes of properties (not being Government properties) heretofore exempt have been made liable to assessment. The exemptions here immediately referred to were removed by statute; but the exemptions in law of Government and Crown property from assessment still continues, and the grants in respect of this property are made by way of bounty. The principles on which the Government have proceeded in fixing the contributions to be given may be shortly stated as follows. They adopt the principle that property occupied by the Crown for the public service (and thereby exempt from assessment) should contribute to the Local Rates equally with the other property in the parishes in which it is situated, having due regard to its character in each case.

The contributions are to the poor and all other local rates levied in the parish in which the property is situated, and no parish is excluded from such contributions on the ground that the Government property is of small amount. Considering how widely different are the various kinds of Government property, and how impossible it is to apply to all kinds the rules of assessment applicable to private property, the Government have felt it necessary to retain in their own hands the valuation of all Government property, but they adopt in each case as far as possible the same principles as are applicable to the valuation of private property. Thus property occupied as ex-officio residences or quarters for officers of the Government, is assessed on the estimated rateable value which would attach to such premises if they were in private occupation and liable to assessment to the local rates.

The Dominion and Local Governments have no excuse for not contributing to local rates, for the English Government now contributes annually large amounts in lieu of rates where their property is situated.

INCOME.

The same reasons can be urged against the assessment of income, as against personal property. I have no patience with those who would tax income derivable from bonds, debentures, railway stocks and mortgages, which are only paper evidences of land and its improvements, and which have already been taxed in some shape or other. The income from personal exertion is just as objectionable and as unreliable as the assessment of personal property.

The sources of income are various, which makes it almost impossible to get at its true value for assessable purposes. The result of this tax is so insignificant that makes it unworthy of our consideration, and should be abolished for a tax more reliable, more certain and just to all.

If we take the year 1881, and add real and personal property together, the total was $50,829,878, the assessable income was $3,329,725, or a little less than six per cent., and for 1890 the real and personal property is $132,122,-

228, the assessable income is $5,108,546, or less than four per cent.; surely there is something wrong, and the system of assessment that makes this possible must be politically unsound, and a sad reflection on the wisdom of making such laws.

In conclusion it is to be hoped that after the long years of agitation on this much vexed question of tax exemptions and assessment reforms, that the Ontario Government will, this session, make a radical change in the assessment laws, and abolish all tax exemptions on real estate in Ontario. There is no good reason, why property enjoying all the benefits of Municipal expenditure should not pay a fair share of such expenditure.

The nature and aim of all taxation ought to be the public good, and all taxes rightly expended secure a full return of benefits to the tax-payer.

The cleaning, the lighting, the police of a city and the education of our children, secure results which everyone participates, and no case but that of poverty ought to justify exemption from paying a share of the cost of advantages, which none could dispense with, and which are so necessary to the safety, health and prosperity of all.

Every case of exemption, just or unjust, is in itself a tax upon the ratepayer, whether the object exempted be an institution, a society, a church, a judge, a clergyman, a customs house official or a post-office clerk. The ratepayer has not only to pay his own tax, but he has also to make up the deficiency caused by these exemptions; in this case, "Not to tax, is to tax."

To me it seems, that the proper basis of municipal taxation is land values together with improvements. To these the municipal government renders service. All such property should be taxed to its real value, and I can see no reason for exemptions, ecclesiastical or any other kind.

THE ASSESSMENT QUESTION

Ald. Hallam Strongly Recommends Changes in the System.

To the Honorable Oliver Mowat :—

DEAR SIR,—I am sure that all municipal tax reformers will be pleased that your Government is going to deal with the assessment of property for the purpose of municipal taxation, and also the vexed question of exemptions from local assessments.

I think this was the most pleasing feature in the whole of the Lieutenant-Governor's address.

I hope you will bring in a bill that will abolish all taxation on personal property and income. If this is done it would create more exemptions, but we would gain immensely by the simplification of our assessment laws and by making real estate or land values the only basis of taxation for municipal purposes.

The amount of personal property, as returned by Commissioner Maughan for the past ten years, has not increased in the same ratio as real estate, plainly showing that there is something radically wrong in taxing personal property.

The following are the official returns of real and personal property for the City of Toronto, from the year 1881 to the present time:—

Year,	Real Property.	Personal Property.
1881	$ 44,622,578	$6,207,300
1882	46,264,624	6,487,068
1883	49,007,630	6,914,480
1884	54,156,102	7,452,980
1885	57,546,816	7,572,886
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1888	84,256,933	9,132,821
1889	99,276,057	8,954,285
1890	122,651,244	9,470,988

The foregoing table is a record of the folly of assessing personal property for taxation. No one can think for a moment that $9,470,988 is anything like the value of personal property assessable in Toronto. If you carefully examine the figures in the above table, you will find that in 1881 the assessed value of real estate in Toronto for taxable purposes was $44,622,578, and personal property for the same purpose was $6,207,300, a little less than one-seventh of the real property and in 1890 we find the value of real estate was $122,651,244, and personal property $9,479,988, or about one-thirteenth.

Now if personal property had increased at the same ratio as real estate, we should have had $17,042,600 of personal property assessable. Even this is notoriously below the real value of personal property in Toronto.

There is no doubt that there are many uncertainties as to the meaning of the law with respect to the assessment of personal property, and there have been so many amendments thereto that no ordinary individual can understand the provisions of the Act.

The tax is, in consequence, a most unpopular one. It is a tax on capital, and its operations are unequal, arbitrary and uncertain, and subject to gross evasion.

To meet the difficulty, if it can be met, will require extraordinary means whereby such property can be got at, "enrolled or valued for assessment." These means will be of such a repulsive nature and so inquisitorial that the people will neither respect the law nor submit to it. This is fully borne out by the Hon. David A. Wells, who says:—"Oaths as a matter of restraint or as a guarantee of truth in respect to official statements have, in great measure ceased to be effectual"; or, in other words, "perjury, direct or constructive, has become so common as to almost cease to occasion notice."

It is well understood that the uncertainties of the Assessment Act in a large measure justify many in evading its provisions. Wherever the assessment of personal property for municipal taxation has been tried, it has been found a failure.

The returns of personal property for the purpose of taxation in every county, city, town and village throughout Ontario is out of all proportion to the reality. In some places no returns of personal property have been made.

The real estate returns in York for the year 1888 were $5,507,350, and personal property, $231,750. The Commissioners on Municipal Institutions, commenting on this state of affairs, said "That the proportion of assessed personal property for taxation is absurdly small in all parts of Ontario, as well as everywhere else."

S. B. Harman, the late City Treasurer, described the trouble that is met with in assessing personal property, and the unfairness that seems unavoidable in many cases. The amount we get is absurdly small.

If we go to the United States—where the assessment of personal property has been reduced almost to a science, and where the ingenuity of the statesman and the lawyer has been taxed to devise laws to enforce the assessment of personal property and the taxation thereon—what is the result? That the law is evaded, and all oaths, as checks, and voluntary statements are disregarded.

The Governor of Ohio, in a special message in April, 1887, said:—"The great majority of the personal property of this State is not returned, but entirely and fraudently withheld from taxation. The idea seems largely to prevail that there is injustice and inequality in taxation, and that there is no harm in cheating the State, although to do so a false return must be made and perjury committed."

The State of Ohio is not singular in this respect, for the late Mayor of New York, A. S. Hewitt, in his message to the Aldermen for 1888, speaking of the assessment of personal property, says:—"This tax is notoriously impossible of collection in this city."

Professor R. T. Ely, in his work on "Taxation in American States and Cities," says:—"Nearly all Americans who have given the subject of taxation attention, and can make the slightest claim to be considered authorities, reject the personal property tax as unjust and impracticable."

Then, what is the remedy for this lamentable state of affairs? The facts and the evidence so far seem to be against the assessment of personal property for municipal purposes.

We want a system of taxation that will encourage thrift, and that will bear on all classes equally according to their ability to pay. This system I believe to be the single tax on land values as being the most practical and certain, and sure to be distributed amongst all classes, remembering that the best of all taxes is the least.

JOHN HALLAM.

Toronto, Feb. 3.